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EXPORTER GUIDE ANNUAL

2009 Road Map for Exporting to South Africa

Approved By:

Scott S. Sindelar

Prepared By:

Margaret N. Ntloedibe

Report Highlights:

In 2008, the United States exported \$420 million (\$318 million in 2007) of agricultural, fish and forestry products to South Africa. The increase is attributable to a variety of products that reached the highest export levels since at least 1970, including bulk agricultural commodities (pulses); intermediate agricultural products such as vegetable oils (excl soybean oil), planting seeds, and other intermediate products; consumer-oriented agricultural such as other consumer-oriented products, dairy products, processed fruit and vegetables, and fresh vegetables; forest products such as other value-added wood products; and fish and seafood products such as other edible fish and seafood, canned salmon, surimi (fish Paste) and roe and urchin (fish eggs).

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SECTION 1: MARKET OVERVIEW

The Republic of South Africa has a market-oriented economy and is a net exporter of agricultural products. It has a highly diversified agribusiness sector and is self sufficient in primary foods with the exceptions of wheat, oilseeds and rice. South Africa has a well-developed processed food and competitive horticultural sectors such as wine, fresh fruits, and vegetables. U.S. exports to South Africa consist mostly of bulk and intermediate agricultural products. The economic sectors of South Africa consist of agriculture (3.0 percent), industry (30 percent), and services (67 percent).

In 2008, the United States exported \$420 million (\$318 million in 2007) of agricultural, fish and forestry products to South Africa. The increase is attributable by major exports which scooped the highest export levels in 2008 since at least 1970 such as in bulk agricultural commodities (pulses); intermediate agricultural products such as vegetable oils (excl soybean oil), planting seeds, and other intermediate products; consumer-oriented agricultural such as other consumer-oriented products, dairy products, processed fruit and vegetables, and fresh vegetables; forest products such as other value-added wood products; and fish and seafood products such as other edible fish and seafood, canned salmon, surimi (fish Paste) and roe and urchin (fish eggs).

According to South African trade data, Argentina is South Africa's largest supplier of agro food products accounting for 17.81 percent of total agro food imports in 2008. The leading suppliers were Argentina (\$844 million), Brazil (\$438 million), Thailand (\$420 million), Malaysia (\$345 million), and the United States (\$304 million). South Africa's major imported agricultural commodities from Argentina were soybean oilcake (36 percent), wheat and meslin (28 percent) and soybean oil (12 percent); from Brazil were chicken cuts and edible offal (28 percent), soybean oil (26 percent), and cane sugar (8 percent), from Thailand mainly rice (87 percent), from Malaysia. palm oil (49 percent), and from the United States wheat (31 percent), and food preparations (8 percent).

South Africa's agricultural, fish, and forestry exports to the United States totaled \$205 million in 2008, \$6 million lower than 2007. Major exports to the United States which reached the highest export levels since at least 1970 such as wine and beer; dairy products; and other vegetable oils. The United States Department of Agriculture (USDA) cooperation between Animal and Plant Health Inspection Service (APHIS), South Africa's Department of Agriculture, and the Deciduous

Fruit Producer's Trust in setting up pre-clearance programs for fresh fruit (apples, citrus, grapes, and pears) has led to a continued increase of South Africa's fresh fruit exports to the United States.

The South African food and beverage market is becoming increasingly sophisticated and now offers a wide range of imported products. The market is basically divided into two segments, the higher income households and poorer households. However, the black population's buying power is increasing and improving the market for imported food products. South Africans in the middle and upper income levels are demanding healthy, convenient, quality foods, while the poor majority requires basic staple foods at affordable prices. For example, the organic foods market is growing rapidly in South Africa and supermarkets are using promotions that emphasize the health benefits of various products. Also, the major food retail chains (Shoprite, Pick n Pay, Spar and Woolworths) have opened stores in township areas, places that have been historically underserved by large supermarkets.

Market surveys have repeatedly shown that price sensitivity rules consumer behavior. South African industry leaders concur with an ACNielsen study that supports this conclusion, stating that price, above other factors such as quality or appearance, is the primary factor in selecting a product. However, an interesting idiosyncrasy of the South African market is that price may be less of a factor in townships, where consumers often show significant brand loyalty for certain branded items.

A) The United States trade position with South Africa

The Table below highlights trade of major agricultural, forestry, and fishery products between the United States and South Africa for calendar year 2008:

South Africa's major Bulk, Intermediate and Consumer-Oriented Agricultural Imports from the United States		South Africa's Major Bulk, Intermediate and Consumer-Oriented Agricultural Exports to the United States	
Jan - Dec 2008	\$ millions	Jan - Dec 2008	\$millions
Bulk Commodities:		Intermediate Agricultural Products:	
Wheat	\$122	Other vegetable oils	\$886*
Pulses	\$25.56*		
Intermediate Agricultural Products:	\$138.00*	Consumer-Oriented:	
Vegetable Oils (excl soybean oil)	\$52.88*	Wine and Beer	\$44.54*
Planting Seeds	\$15.26*	Other Dairy Products	\$6.18*
Other Intermediate products	\$48.20*	Fruit & vegetable juices	\$14.71
Animal fats	\$9.69	Tree nuts	\$14.15

Consumer-Oriented:	\$90.36*	Forest Products:	
Dairy Products	\$23.36*	Logs and Chips	\$247
Processed fruit and vegetables	\$8.91*		
Fresh vegetables			
Other consumer-oriented products	\$857*		
	\$33.34*		
Forest Products:		Fish and Seafood Products:	
Other value-added wood products	\$4.00*	Lobster	\$17.43
		Groundfish, fillet/steak	\$467
Fish & Seafood Products, Edible:	\$9.29*		
Canned Salmon	\$2.18*		
Surimi (fish paste)	\$387*		
Roe & Urchin (fish eggs)	\$144*		
Other edible fish & seafood	\$5.12*		
Agricultural Product Total	\$393.35	Agricultural Product Total	\$174,56
Agricultural, Fish & Forestry Total	\$419.71	Agricultural, Fish & Forestry Total	\$205,44

Source: BICO Trade Data

B) Advantages and Challenges Facing Sales of U.S. Products in South Africa

Advantages	Challenges
South African consumers view U.S. products as high quality.	Retailers and consumers have limited knowledge about the variety of U.S. products.
South African importers seek suppliers who can offer quality products at competitive prices.	Acquired tastes and preferences for traditional, locally produced products.
The growing retail industry needs imported food and beverage products.	Challenging for U.S. suppliers to respond to trade-lead inquiries in a timely fashion.
Transparent import regulations.	Competition from other countries and locally produced products.
A steady decline in tariff levels on most products.	Exchange rate. The South African Rand has fluctuated widely over the past decade, making long-term trading difficult.

SECTION II: EXPORTER BUSINESS TIPS

A) Local Business Customs

Throughout the year, Standard Time in South Africa is two hours ahead of Greenwich Mean Time and seven hours ahead of Eastern Standard Time. Clocks are not advanced in the spring. Generally, business hours are weekdays from 8:00 a.m. to 5:00 p.m. with a lunch hour in between, ranging between 11:00 – 2:00 p.m. Most offices observe a five-day week, but shops are generally open from 8:30 a.m. to 5:30 p.m. weekdays and from 8:30 a.m. to 4:00 p.m. on

Saturdays, with few open on Sundays, especially those that are located at major shopping malls. Banks are open weekdays from 8:30 a.m. to 3:30 p.m. and Saturdays from 8:00 a.m. to 12:30 p.m. The monetary unit of South Africa is the rand (R), which is divided into 100 cents (c).

Shopping is similar to that in the United States, with large and very modern shopping centers providing diverse product lines similar to those found in the United States but there are no stores open 24-hours per day. South African business people tend to dress conservatively, particularly in the banking sector. However, "Smart Casual" clothing has become increasingly popular with executives in the IT and tourism industries. Terminology used in business invitations etc, are:

- Black Tie (dark suit and tie or tuxedo or formal evening dress)
- Business (jacket and tie or a business dress)
- Smart Casual (casual clothing with or without tie, but no jeans and no sneakers)
- Casual (includes jeans but no sport shorts)

Business cards are usually simple, including only the basics such as company logo, name, business title, address, telephone number, fax number, e-mail, and web-address. South Africans are also very punctual, and South African business people make every effort to be on time for appointments. Appointments should be made in advance for a business visit.

B) Trade and Marketing Services Including Establishing an Office:

The Companies Act of 1973, which is administered by the Registrar of Companies, regulates the formation, conduct of affairs and liquidation of all companies. The act makes no distinction between locally-owned or foreign-owned companies. Companies may be either private or public. Foreign companies establishing subsidiaries in South Africa must register the subsidiary in accordance with the act.

For more information on company formation and registration contact:

Companies and International Property Registration Office (CIPRO)

Postal Address: P O Box 429, Pretoria, 0001

Physical Address: The DTI Campus, Block F, 77 Meintjies Street, Sunnyside, Pretoria

Tel: +27 0 12 394 9500 or 0861 843 384; Fax: 27 0 12 394 9501 or 0861 843 888

Email: contactcentre@cipro.gov.za or info@cipro.gov.za

Website: <http://www.cipro.co.za>

Assuring alignment with South African industry regulations particularly those regarding Black Economic Empowerment (BEE), when choosing an advertising or marketing partner to open the South African market, will be crucial. Direct marketing is expected to grow over the next ten years, as long as marketing plans include a strong emphasis on clear cut information campaigns,

almost intended to pre-empt consumer questions and introduce appropriate solutions all in one effective customized direct marketing package.

Direct Marketing Channels in South Africa Include:

Direct Marketing: Although South Africa's foreign exchange controls and import documentation requirements have been relaxed, we recommend that U.S. companies contract with a South African agent or partner who would be responsible for marketing the product, holding stock, fulfilling purchasing transactions and remitting revenue to the U.S. company.

For more information contact the Advertising Standards Authority of South Africa (ASA) at:

Postal Address: P O Box 41555, Craighall, Johannesburg, 2025

Physical Address: Willowview, Burnside Island Office Park, 410 Jan Smuts Avenue, Craighall Park, Johannesburg

Tel: +27 0 11 781 2006; Fax: +27 0 11 781 1616

Email: info@asasa.org.za

Website: <http://www.asasa.org.za>

Franchising: The franchising sector in South Africa which contributes about 12.57 percent to GDP is varied in terms of the types of businesses represented, which creates a huge potential growth in the franchising sector in South Africa, with revenue from franchised outlets growing by 48 percent. It is estimated that in South Africa, less than 20 percent of retail business is done via the franchise route. In preparation of the 2010 FIFA World Soccer cup event, franchise concepts for the South Africans in the coming years include increase in three major areas such as retail, food and service businesses.

Recent years have seen the popularity of franchising increase significantly, emerging in South Africa as an effective way to conduct and grow successful businesses. Franchising sectors such as fast food, forecourts (convenience stores) linked to gas stations also plays an important role in furthering the development of small and medium businesses. Restaurant franchises are joining with gas stations to create an enticing atmosphere and to encourage customers to purchase food more than gasoline. Franchising, with its advantages of skill transfer, start-up support and ongoing operational assistance, is becoming a preferred type of business to address job creation, poverty alleviation, economic growth and black empowerment rank high on the South African government's agenda. Business format franchising, in particular, is a proven concept offering potential opportunities for U.S. franchises to reap the benefits in profit from the convenience provided for consumers in forecourts.

More information about the sector including Member listing can be found at:

Franchise Association of Southern Africa (FASA)
Postnet 256, Private Bag X4, Bedfordview, 2008
Tel: +27 0 11 615 0359; Fax: +27 0 11 615 3679
Email: fasa@fasa.co.za
Website: <http://www.fasa.co.za>
Other additional resources include: www.whichfranchise.co.za
www.franchise.co.za

Joint Venture/Licensing: Exchange control regulations stipulate that the South African Reserve Bank (SARB) must approve the payment of royalties. When a licensing agreement involves no manufacturing, the request for exchange control approval is sent directly to SARB. For a company interested in entering into a licensing agreement with a local company to manufacture a product in South Africa, the South African licensee must submit an application to the industrial Development Branch of the Department of Trade and Industry. The Department of Trade and Industry, in turn, will make a recommendation to the SARB. Exchange control regulations stipulate that SARB's Exchange Control Section must approve payment of royalties. When a licensing agreement involves no manufacturing, the request for exchange control approval is sent directly to SARB.

Royalty fees are based on a percentage of total ex-factory sales, with a maximum of four percent for consumer goods and six percent for intermediate and final capital goods. Down payments will not be approved unless actual costs of transferring tangible technology items are incurred. Minimum or annual payments are not acceptable to SARB. Exchange approval will normally be granted for an initial period of five years. Contract conditions involving obligatory purchasing and pricing agreements or requiring the licensee to sole articles from the licensor are prohibited.

Additional information on licensing regulations can be obtained from:

Department of Trade and Industry
Directorate of Licensing
Private Bag X84, Pretoria, 0001
Tel: +27 12 394 9500; Fax: +27 12 394 9501
Website: <http://www.thedti.gov.za>

Selling to the Government: Government purchasing is a significant factor in the South African economy. Nearly all such purchasing (at all three levels of government, i.e. national, regional, and provincial) is done through competitive bidding on invitations for tenders, which are published in an official state publication, the State Tender Bulletin (<http://www.dti.gov.za/tender/bulletins.htm>), and sometimes in leading newspapers. Although

the purchasing procedures of the central government and parastatal institutions favor products of local manufacturers, an overseas firm is not precluded from bidding if the firm has an agent in South Africa to act on its behalf. As a general practice, payment is made to the local agent.

For more information, contact the SA Department of Finance (Treasury) who administers the government procurement process at:

South African National Treasury
Public Private Partnership Unit
Private Bag X115, Pretoria, 0001
Tel: +27 0 12 315 5455 or 315 5741
Website: <http://www.treasury.gov.za>

C) Consumer Tastes and Preferences

South African food retailers serve a wide range of consumers. At one end, there are supermarkets very similar to those found in the United States. These shops provide most of the products and services found in U.S. grocery stores such as processed foods, packaged meats, and fancy produce.

New products entering the South African market require extensive market research and mass advertising to identify potential customers' buying patterns and preferences. This applies particularly to unknown brand names, as South Africans are very brand conscious.

One way of launching a new product in South Africa is by exhibiting at trade shows. Trade shows have buyers and distributors, are cost-effective, provide market research, and provide product testing. Promotional "give-aways" are also very popular for launching of new products. An editorial and/or advertisements in a specialized trade publication will also enhance awareness of the product. Although South Africa has eleven official languages, promotional material is typically printed in English. Southern Africa trade shows are published in post promotional report at www.fas.usda.gov

Pricing in South Africa is generally market-driven, with the exception of petrol/gas products and certain agricultural goods and prices administered by parastatals (government owned firms) such as the South African Post Office and Telecommunication. Despite the variety of options available to South African consumers, price sensitivity rules their behavior. Surveys reveal that 47.8 percent based their decisions on price and 16.9 percent buy store brand (generic brand) items because they are good value for the money. Only 13.4 percent mentioned quality as a motivator, while 4.3 percent perceived the store brand to be equal to name brand items. Products that are successful with store brand labels include milk, syrups, dry pasta, nuts,

canned fruits and jellies. South Africa applies a 14 percent Value Added Tax (VAT) as opposed to General Sales Tax (GST) on all goods and services, except for some basic staple diet items. Exports are zero-rated and no VAT is payable on imported capital goods. The South African Revenue Service (SARS), a division of the South African Department of Finance/Treasury, administers the VAT. For more information visit the SARS website at:

SARS

Private Bag X923, Pretoria, 0001

Tel: +27 0 12 422 4000; Fax: +27 0 12 422 5181

Website: www.sars.gov.za

Although many South Africans choose products according to price, consumers in townships often demonstrate contradictory demands and characteristics. For example, spazas and other informal shops tend to only supply leading brand items because their customers demonstrate strong brand loyalty. Adding to this trend is the fact that the black population's buying power is increasing. Product attributes that may help a product succeed in township markets are those which are less expensive and/or single service package sizes and ambient-stable products that do not require refrigeration.

South Africans love to eat meat, and to barbeque (braai). Braai products, such as sauces, are also popular, especially sweet and spicy flavors. A wide variety of meats are available, such as beef, beef sausages, lamb, game meats, and poultry. Fish is also gaining popularity as consumers are seeking healthier alternatives to meat. South Africans eat more beef and lamb than pork. It has been generalized that they eat about as much pork as Americans eat lamb, and as much lamb as Americans eat pork.

According to ACNielsen research, health information is becoming an important component of food retailing. Consumers would like to see more health, nutritional and weight loss information in stores. These consumers will most likely fit in the categories of:

- Older female consumers who are interested in diet as a way to obtain good health in place of exercise.
- Young people and high Living Standard Measurement (LSM) consumers who are becoming increasingly aware of the importance of a good diet and exercise in order to maintain good health.
- Low LSM consumers, many of whom are feeling the impact of HIV/AIDS on their families and are thus in need of healthy food products. However, due to hard financial times for poor South Africans, health products for low LSM consumers will not find a place on grocer's shelves unless they are developed as viable substitutes for basic staples.

D) Food Standards and Regulations

Useful references are post prepared GAIN Report SF8026, and SF8034, Export Certificate and Food and Agricultural Import Regulations and Standards for South Africa respectively, and can be found at the following links:

<http://www.fas.usda.gov/gainfiles/200808/146295453.pdf>

E) General Import and Inspection Procedures

Import Permits: The Container Security Initiative (CSI), was developed by the U.S. Customs and Border Protection (CBP), following the terrorist attacks against the United States on September 11, 2001. CBP, which is now within the U.S. Department of Homeland Security, implemented the program at major ports around the world. Durban airport, South Africa is one of the major ports that are now part of the CSI program. Obtain additional information about the CSI program at www.cbp.gov

All food consignments are subject to random checking and sampling at all points of entry in South Africa to ensure food items imported into the country are safe and comply with the prescribed standards and regulations. International freight forwarders normally handle documentation and other formalities with authorities at entry points. Provided all necessary documents are in order, no problems or delays should occur with customs clearance. Under the Import and Export Control Act of 1963, the Minister of Trade and Industry may control the import of certain goods into South Africa. The list of restricted goods has decreased in recent years. Products that still require import permits are fish and fish products.

Customs Procedures: In December 2006 South Africa introduced the Single Administrative Document (SAD) for all customs clearances purposes. All clearances with Customs are done on a SAD form 500; continuation sheet - SAD 501; and transit control form - SAD 502.

The SAD is also capable of being used to clear a consignment through Customs in two or more countries. Such use of the SAD form will expedite Customs clearance and enhance the effectiveness of Customs Control.

SAD forms and additional information is available at this link:

www.sars.gov.za/home.asp?pid=3585

Tariffs: Since 1994, South Africa continues to reform and simplify its tariff structure in order to comply with its WTO commitments. It has reduced tariff rates from an import-weighted average tariff rate of more than 20 percent to 7 percent. Notwithstanding these reforms, importers have complained that South Africa's tariff schedule remains complex and can create uncertainty. Tariff rates mostly fall within eight levels ranging from 0 percent to 30 percent, but some are higher. There are high tariffs on imports of textiles and apparel. The government, International

Trade Administration Commission on South Africa (ITAC) petition by the South African Poultry Association antidumping duties instituted in 2000 on U.S. poultry products such as bone in cuts and chicken leg quarters remains. Imports showed exceptional growth in 2008, but the delay in lifting the anti-dumping duty of U.S. bone-in cuts limits US exports.

Specific excise duties are levied on tobacco and tobacco products, and petrol/gas products. Duties on alcoholic beverages are set at fixed percentages of the retail prices. Ad valorem excise duties are levied on a range of "Up market" consumer goods. The statutory rate is currently 10 percent (except that most office machinery, as well as motorcycles, has a duty of 5 percent). Various provisions for rebate of duty exist for specific materials used in domestic manufacturing. The importer must consult the relevant schedules to the Customs and Excise Act to determine whether the potential imports are eligible for rebate duty. Information can be found on the International Trade Administration Commission (ITAC) of South Africa's website at: www.itac.org.za

Department of Trade and Industry
International Trade Administration Commission (ITAC)
Import Control
Private Bag X773, Pretoria, 0001
Tel: +27 0 12 394 3590/1; Fax: +27 0 12 394 0517
Website: www.itac.org.za

Biotechnology: South African biotechnology policy is formulated under the Genetically Modified Organisms (GMO) Act of 1977. This act was modified by cabinet in 2005 to bring it in line with the Cartagena Biosafety Protocol and again in 2006 in order to address some economic and environmental concerns. In June 2001, the South African government published the National Biotechnology Strategy for South Africa, expressing the South African government's intent to stimulate the growth of biotechnological industries. The document states that biotechnology can make an important contribution to national priorities, particularly in the area of human health, food security, and environmental sustainability. South Africa is seen as a leader in the biotechnology front in Africa, and many neighboring countries look to South Africa for guidance and direction.

The production of biotech crops in South Africa continued to expand in 2008 enabling South Africa to retain its position as the eighth largest producer of biotech crops in the world and illustrating that South African farmers have adopted biotech and the benefits thereof. Area planted to biotech crops went from only 197,000 hectares in 2001 to over 1.8 million hectares in 2008. Corn, soya beans and cotton are the major GMO commodities planted by farmers.

U.S. corn is not authorized entry into the Republic of South Africa because the United States has approved maize events that are not approved in South Africa. This restriction was to be

reviewed by the Department of Trade and Industry (DTI) through an economic analysis of the effect of the entry of this trait on South African maize production. To date, this analysis has not been completed by the DTI. For stacked events, companies need to start from the beginning of the approval process, even when the individual traits have already been approved. The lengthy process, more than the actual legislation, is a barrier for exporting U.S. GM products to S.A. SA isn't opposed in principle to these events; they just haven't made it through the regulatory approval process yet.

Health regulations published in 2004 largely follow Codex Alimentarius scientific guidelines. They mandate labeling of GM foods only in certain cases, including when allergens or human/animal proteins are present, and when a GM food product differs significantly from a non-GM equivalent. The rules also require validation of enhanced-characteristics (e.g., "more nutritious") claims for GM food products. The regulations do not address claims that products are GM-free.

However, on April 24, 2009 outgoing President Kgalema Motlanthe signed the Consumer Protection Bill into law. The primary purpose of the law is to prevent exploitation or harm of consumers and to promote the social well being of consumers. Mandatory GMO labeling and liability clauses in this bill will directly affect U.S. companies with food and agricultural interests in South Africa.

The bill requires mandatory labeling of GMOs for all domestic and imported food products. Additionally, it includes a significant change to product liability, where a consumer no longer has to demonstrate that a producer was negligent before receiving compensation for inquiry. The new legislation puts the burden of proof on the producer or supplier, meaning that a consumer can use almost any producer or supplier or harm or inquiry that is the result of a failed, defective, or unsafe product. Almost every supplier must comply with the bill, even if the supplier does not reside in South Africa. Foreign producers who sell products through a South African agent for use in South Africa would be included under the bill.

SECTION III: MARKET SECTOR STRUCTURE AND TRENDS

A) Distribution Systems for Processed Food Products

Channels of Distribution: In South Africa, only a few importers specialize in one product. Most importers are generalists who import a wide range of food products. It is important for an exporter to work with someone locally who knows the market well for the specific product in question. Agents who represent one foreign supplier are also relatively rare.

Retail trade outlets in South Africa offer the full spectrum available in the United States. These range from the neighborhood convenience drugstore (called cafés), to the small general dealer, specialty stores handling a single product line (for example, clothing, electronics, furniture),

exclusive boutiques, chain stores (groceries, clothing, toiletries, household goods), department stores, cash and carry wholesale-retail outlets, to co-operative stores serving rural areas. About 90 percent of inventories of consumer-ready products in these stores are domestically sourced. A major phenomenon in South Africa has been the evolution of hypermarkets, which sell large quantities of almost all consumer goods, similar to a Price Club retail store in the United States. The hypermarkets, located in suburban shopping centers/malls, have disrupted the traditional distribution chain by purchasing directly from manufacturers and bypassing the wholesaler, and with low margins achieving high turnover, thereby placing price pressure on all competing outlets.

Most U.S. exporters of consumer goods sell directly to South African retail organizations, such as department stores, chain stores, and cooperative groups of independent retailers, which assume the functions of wholesale buying, selling, and warehousing.

It may be necessary to appoint an official after-sales agent for products of a technical nature in South Africa. This may be a company that does not import or market the product in question, but rather, because of its geographical reach, technical abilities, and goodwill in the market, acts as the certified service agent. Appointing an appropriate after sales agent is crucial in ensuring that the product develops a respected reputation in the country through the correct channels.

Importer/Distributor: Performs the first leg of the selling in a given country, and are the brand's ambassadors in that country and therefore carry a certain amount of prestige as the country representative of your company and brand. They will negotiate the total deal with the exporter, import the goods (which will be pre-paid) and then re-sell the products to retailers (their main customer base) and to smaller wholesalers, mostly in the rural areas. They physically take orders from customers, invoice out the goods, and deliver the goods with their own or third-party transport for re-sale. They will also be responsible for the marketing, after-sale service and promotional activity of the brand in that country.

Import Agents: The company or individuals usually operate by having a showroom only. They invite their customer base to view the products on display and then institute the orders once confirmation has been received. They also actively go into the trade, where they make appointments with their customers, present the relevant products or samples, and collect the confirmed orders. Agents could offer after sales service, either themselves or by out-sourcing from a specialist service company, operating in the relevant country.

Delivery is usually done via drop shipments (foreign-to-foreign shipments) from the supplier and a commission is paid to the agent. It is also quite common for an agent to carry more than one brand or product line, either in the same genre or a mix.

Export Broker or Brokers: These individuals work with multiple brands and multiple genres of

products. They operate on both sides of the border, for example, they could be based in South Africa and have been tasked by a customer of theirs to look for products in another country, or they could be based in a foreign country and tasked either by retailers, wholesalers or government departments to find products, at the best price for a supplier in, say South Africa. They usually work on a commission or profit-share basis. Broker Agents are mostly involved with government or other large food supply contracts. They tender for government contracts on behalf of different manufacturers. Some agents have their own warehouses and distribution facilities.

Importer/Distributor/Retailer: This type of company is very similar to Importer/Distributor, except that they have their own retail arm linked to their distribution system. In this case, they will usually have a number of retail chains throughout the city, town or country areas. They will then distribute exported products from a central warehouse, and/or bond store to their own retail stores, and to other retailers and wholesalers who are their customers. The other responsibilities are the same as those mentioned in the Importer/Distributor above.

Importer/Wholesaler: This type of company is similar to a distributor in that their orders are also pre-paid to the supplier, and deliveries to their customers are dependent on their own local and/or prior arrangements. They generally import the goods and other customers come to them to select, pay for and collect the stock. In a situation such as this, it is optional for the wholesaler to offer after sales service or outsource to a local service agent, who already has an existing service operation.

Catering Wholesalers: Catering wholesalers purchase food products from various manufacturers and resell these products predominantly to catering establishments. Catering wholesalers offer the establishments a variety of food products, and some carry a select product range of specially packed "house brands". They also import large volumes of products that are sold to catering establishments.

Distributor Agents: The distributor agent distributes food products on behalf of manufacturers without necessarily taking ownership of the actual products. A distributor is usually required to adhere to prices determined by the manufacturer and is paid a fee to distribute the products.

B) Trends in Advertizing and Trade Promotion

South Africa has a sophisticated advertising industry. The four key players in South Africa's advertising industry are the Association of Advertising Agencies (AAA), the Association of Marketers (ASOM), and the two major media bodies, the National Association of Broadcasters (NAB) and the Print Media Association (PMA). Additional information can be obtained from the Association of Marketers and the Association of Advertising Agencies (see contact details at the

end of the report).

More recently, food promotions have moved towards advertising goods based on health related issues and "nutrition function" claims. Some South African consumers are becoming diet and health conscious, and are becoming more responsive to products that address issues such as weight loss or disease prevention. Also, American television and culture is having an increasing influence on South Africans, leading to the adoption of social mores like "thin is beautiful."

C) Trend in Tourism

Tourism, South Africa's fastest growing industry, with an estimated annual growth rate of 12 percent, is the fourth largest industry in South Africa, supporting about 700 hotels, 2800 guesthouses and 10,000 restaurants. The Travel and Tourism industry in South Africa is a major contributor to the economy and presently accounts for 8.2 percent of GDP. The current employment figure of 7 percent of South Africa's workforce is expected to grow to over 1.2 million people by 2010, when South Africa will host the FIFA World Cup (Soccer). The World Cup presents an opportunity to attract over 400,000 visitors for leisure or business tourists visiting during or after the World Cup period. More information on the World Cup is available at, www.sa2010.gov.za. Tourism contributes about 8 percent to South Africa's Gross Domestic Product (GDP) and creates about one million jobs both directly and indirectly.

According to Department of Environmental Affairs and Tourism (DEAT), domestic travel declined by 8 percent in 2008 with 32.9 million trips being undertaken compared to 35.9 million in 2007. Revenue generated from domestic travel tourism in 2008 was approximated at R25.8 billion, an increase of 29 percent in nominal terms over the R20 billion generated in 2007. This means that in nominal terms, spend increased by 29 percent, but in real terms it grew by 17 percent meaning that domestic tourists did spend more in South Africa in 2008 and that the increase was not only due to inflationary increases.

Tourism is central to growth and development in South Africa. In responding to this, the South African government has launched the Accelerated and Shared Growth Initiative (ASGISA), whose ultimate objective is to halve unemployment and poverty by 2014. The ASGISA aims to create at least 500,000 tourism jobs by 2014.

Benefiting from this growth in terms of increased trade and investment opportunities is the hospitality industry, which includes a vast array of well-developed and sophisticated hotels, game lodges, guest houses, self-catering, camping and caravanning, bed and breakfasts, restaurants, cafes, resorts, country clubs, fast food outlets, bars, airlines, hospitals, supermarkets and convenience stores. The Department of Environmental Affairs and Tourism www.environment.gov.za and www.deat.gov.za is responsible for the growth and the

development of South Africa tourism and since 2003 has mandated the Tourism Grading Council of South Africa to grade tourism establishment in the country. To make sure South Africa's hosting of 2010 is a success, it is estimated that the Council has since 2003 officially graded about 70 percent of all accommodation rooms in South Africa. In 2005, the World Tourism Organization extended an invitation twice to the Grading Council to present South Africa's Star Grading System model case-study in promoting destinations.

South Africa, with an expanding middle class and a relatively stable economy, presents growing opportunities for U.S. niche food products. In addition, with its well-developed transportation infrastructure, South Africa is ideally placed to serve as an export hub to markets throughout the region.

Source of statistics on South Africa tourism is available at, www.southafrica.net/research .

SECTION IV: BEST CONSUMER-ORIENTED PRODUCT PROSPECTS

Five-year trends show that some U.S. Consumer-Oriented Agricultural exports to South Africa are growing. Of interest is categories which reached a 30-year record high in 2008 such as consumer-oriented products, other consumer oriented products, dairy products, processed fruit and vegetables, and fresh vegetables. Within this sub-category, other food preparations (HS210690) have shown consistent and substantial increases, including sauces and condiments (HS210390). Other high value exports that have shown sustained growth are almonds (HS080212), canned salmon (HS160411), and whiskies (HS220830). The United States enjoys a dominant position in the almond, canned salmon and other food preparations markets, holding 90 percent, 82 percent and 18 percent market shares respectively.

Product Category	2008 South Africa Imports from the World (\$1,000)	2008 U.S. Exports to S.A. (\$1,000)	Percentage of Annual Import Growth U.S.	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for U.S.
Whiskies HS220830	202	23	-20.36	1.54	United Kingdom with 79% market share and a first mover advantage, and US 11%.	American brands are considered high quality and attract new, younger consumers.
Almonds HS080212	5.7	5.1	-37.80	Free		U.S. has largest market share of 90%.
Salmon HS160411	3.8	3.1	194.79	25%		U.S. has the largest market

						share of 82%.
Other Food Preparations HS210690	143	25	0.22	Varied		U.S. has the largest market share of 18%. American brands are becoming increasingly popular given their high quality attributes.
Protein ConcentrateH210690	8.9	6.0	107.53	Varied		
Vegetable Seeds HS120991	20	4.3	46.75	Free	Netherlands leads sector with 30% Market Share, while U.S. has 21%.	

SECTION V: KEY CONTACTS AND FURTHER INFORMATION

A) Additional Sources and links:

www.ussatrade.co.za: The US Commercial Service has an annual South Africa Country Commercial Guide at <http://www.buyusa.gov/southafrica/en/353.html> that presents a comprehensive look at South Africa's commercial environment, using economic, political and market analysis. Copies of the guide may be downloaded from the site or be obtained through the US Commercial Service: Johannesburg.Office.Box@mail.doc.gov Tel: +27 0 11 778 4800.

www.gt.co.za: Grant Thornton site contains information on different aspects of South Africa including an exporter guide entitled "Guide to establishing a presence in South Africa". Contact Tel: +27 0 11 322 4500 and Fax: +27 0 11 322 4767.

www.werksmans.co.za: Corporate and Commercial law firm, their site also contains general information on doing business in South Africa. Contact Tel: + 27 0 11 535 8000; and Fax: +27 0 11 535 8600

www.cliffedekker.co.za: Cliffe Dekker, Corporate and Commercial law firm site provides general information on basic legal issues for doing business in SA. The topics range from establishing an office in South Africa to taxation and black economic empowerment.

Luyton Driman, Going the EXTRA mile, a guide to trading in Africa,

<http://www.bradmanton.com/Articles/EXPORT%20SA/EXPORT%20Sept%2005.pdf>

B) Post Contact

If you have any questions or comments regarding this report or need further assistance, please contact AgPretoria at the following address:

Foreign Agricultural Service
 U.S. Embassy Pretoria, South Africa
 Washington, D.C., 20521-9300
 Tel: + 27 0 12 431 4057
 Fax: + 27 0 12 342 2264
 Email: agpretoria@fas.usda.gov

For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service's website at: <http://www.fas.usda.gov>

APPENDIX I: STATISTICS

TABLE A: KEY TRADE & DEMOGRAPHIC INFORMATION

2008 Agricultural Imports From All Countries (\$million)/U.S. Market Share	\$4,376/6.42%
2008 Consumer Food Imports From All Countries (\$million)/U.S. Market Share	\$1,444/6.78%
2008 Edible Fishery Imports From All Countries (\$million)/U.S. Market Share	\$225/5.27%
2008 Total Population (Millions) / Annual Growth Rate (%)	49.32/0.281% (2009 July estimates)
Urban Population (Millions) Annual Growth Rate (%)	27,866.7/1.4%
Number of Major Metropolitan Areas	9
Size of the Middle Class (millions) / Growth Rate (%)	
Per Capita Gross Domestic Product Purchasing Power Parity	\$491 billion (2008 estimates)
Unemployment Rate (%)	22.9% (2008 estimates)
Per Capita Food Expenditures (U.S. Dollars)	\$458
Percent of Female Population Employed	46%
Exchange Rate (US\$1 = XX local currency)	US\$1 = R7.24

Source: 1) <https://www.cia.gov/library/publications/the-world-factbook/geos/sf.html>

2) Statistics South Africa Link: <http://www.statssa.gov.za/publications/P0302/P03022009.pdf>

3) Euromonitor International www.euromonitor.com

TABLE B: CONSUMER FOOD & EDIBLE FISHERY PRODUCT IMPORTS

South Africa Imports	Imports from World			Imports from U.S.			U.S. Market Share %		
In Millions of Dollars	2006	2007	2008	2006	2007	2008	2006	2007	2008
CONSUMER-ORIENTED AGRICULTURAL TOTAL	1.110	1.483	1.444	69	76	96	6.26	5.18	6.78
Snack Foods (Excl. Nuts)	116	108	118	1.2	2.1	2.0	1.06	1.96	1.78
Breakfast Cereals & Pancake Mix	6.881	8.453	8.349	49	91	349	0.72	1.08	4.18
Red Meats, Fresh/Chilled/Frozen	126	129	105	1.2	1.0	531	1.02	0.82	0.51
Red meats, Prepared/Preserved	9	14	11	148	10	16	1.61	0.08	0.15
Poultry Meat	184	228	190	5	6	6	2.54	2.73	3.22
Dairy Products (Excl. Cheese)	62	118	102	3	4	17	4.95	3.54	16.51
Cheese	20	27	26	23	838	831	0.12	3.10	3.15
Eggs & Products	1.70	2.6	2.8	216	457	637	12.72	17.62	22.89
Fresh Fruit	20	24	24	39	34	1.2	0.19	0.14	0.01
Fresh Vegetables	4.9	7.6	6.5	125	721	679	2.53	9.47	10.45
Processed Fruit & Vegetables	90	121	113	3.3	2.8	8.3	3.69	2.33	7.33
Fruit & Vegetables Juices	32	65	55	687	766	949	2.13	1.17	1.72
Tree Nuts	35	35	39	10	9	5.9	29.00	26.23	15.18
Wine & Beer	26	112	117	65	83	259	0.25	0.07	0.22
Nursery Products & Cut Flowers	11	11	11	390	139	133	3.69	1.22	1.24
Pet Foods (Dog & Cat Food)	18	23	27	8	2	3	43.15	10.09	9.88
Other Consumer-Oriented Products	346	448	489	36	46	52	10.42	10.23	10.55
FISH & SEAFOOD PRODUCTS	145	189	225	6.5	6.5	11.9	4.50	3.43	5.27
Salmon	9.6	9.0	11	2.8	2.2	3.9	29.00	24.76	35.63
Surimi	2.8	3.0	4.3	836	1.3	1.9	29.88	42.30	43.82
Crustaceans	50	56	47	179	123	403	0.36	0.22	0.85
Groundfish & Flatfish	25	34	26	1.2	2.5	3.3	4.96	7.23	12.67
Molluscs	16	18	22	1.0	166	2.2	6.90	0.93	10.38
Other Fishery Products	42	69	115	422	212	125	1.00	0.31	0.11
AGRICULTURAL PRODUCTS TOTAL	3.029	4.220	4.736	135	291	304	4.45	6.89	6.42
AG, FISH & FORESTRY TOTAL	3.515	4.807	5.301	162	318	333	4.60	6.61	6.28

Source: Global Trade Atlas

TABLE C: TOP 15 SUPPLIERS OF CONSUMER FOODS & EDIBLE FISHERY PRODUCTS

South Africa – Top 15 Suppliers	Import 2006	Import 2007	Import 2008			Import 2006	Import 2007	Import 2008
CONSUMER-ORIENTED AGRICULTURAL IMPORTS	Value \$1000	Value \$1000	Value \$1000		FISH & SEAFOOD PRODUCTS	Value \$1000	Value \$1000	Value \$1000
Brazil	193,508	227,929	190,672		Thailand	32,541	48,475	95,348

Netherlands	55,887	130,489	127,826	India	30,603	29,676	25,731
France	57,229	91,081	116,874	China	12,717	17,981	15,943
United States	69,503	76,783	97,909	United States	6,550	6,490	11,888
Argentina	45,318	75,347	74,342	New Zealand	7,636	16,757	11,104
Italy	54,910	71,847	68,993	Norway	7,077	7,976	8,266
China	46,205	76,211	67,251	Peru	1,966	8,229	8,223
Australia	61,553	73,938	61,179	Mozambique	6,997	7,067	5,185
Germany	35,725	46,794	54,925	Spain	2,159	3,715	4,432
New Zealand	40,864	45,109	44,627	Chile	3,231	3,356	3,989
Austria	23,979	39,988	44,533	Falkland Islands	2,068	3,900	2,767
United Kingdom	44,140	48,205	42,520	Argentina	5,596	2,963	2,392
India	20,171	32,644	35,175	Portugal	2,518	3,724	2,188
Belgium	28,684	31,620	33,256	Japan	1,568	1,514	2,103
Canada	44,845	54,143	31,600	Philippines	895	4,921	2,013
Other	346,490	447,696	448,890	Other	42,263	69,094	114,983
World	1,110,220	1,483,181	1,444,747	World	145,472	189,384	225,444

Source: Global Trade Atlas